

Friday, January 19, 2007, 11.30 a.m.

Press Release

KOF Index of Globalization 2007

According to the KOF index of globalization 2007, Belgium and Austria are the world's most globalized countries – Switzerland ranks 8 (last year: rank 6). The index shows that globalization is still on the rise, driven by increased economic and political globalization, while social globalization stagnates.

The KOF index of globalization measures the economic, social and political dimensions of globalization. The index allows comparing degree and changes in globalization over a large number of countries and more than 30 years: The KOF index of globalization 2007 is available for 122 countries over the period 1970-2004, and is calculated on the basis of 25 variables.¹

The economic dimension of the KOF index of globalization measures long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges. In addition to actual flows of trade and foreign investment, it captures the degree to which a specific country restricts capital and trade flows. The social dimension measures the spread of ideas, information, images and people, while the political dimension captures diffusion of government policies.

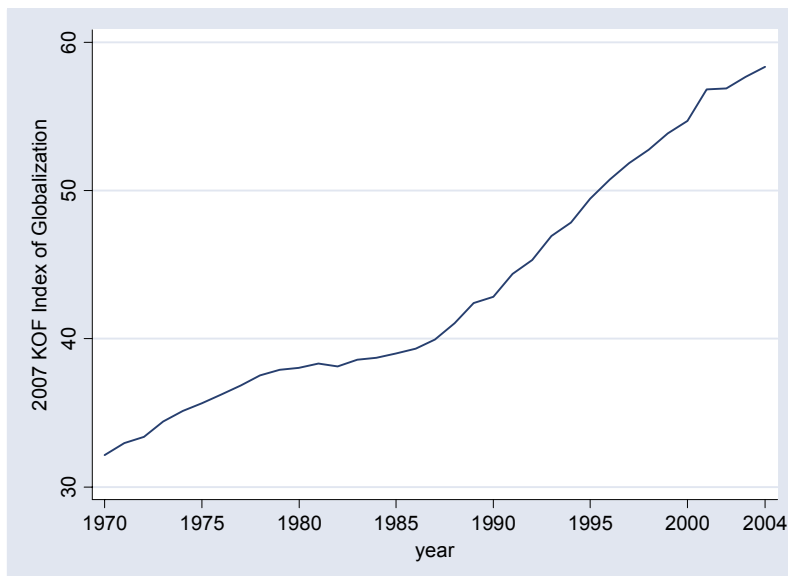


Figure 1: Development of globalization across the world

¹ More recent data for the variables employed in constructing the index are not available. The KOF index of globalization is updated on a yearly basis at the beginning of the year.

Figure 1 shows how globalization has developed over time – measured by the average of the individual country indices: The degree of globalization did increase since the 1970s, particularly since the mid-80s. According to figures 2 and 3, this development has mostly been independent of income and region, even though the degree of globalization differs largely. The figures show in particular that globalization is most prevalent in Western, high income countries. There, however, the process of globalization practically came to a halt since 2001.

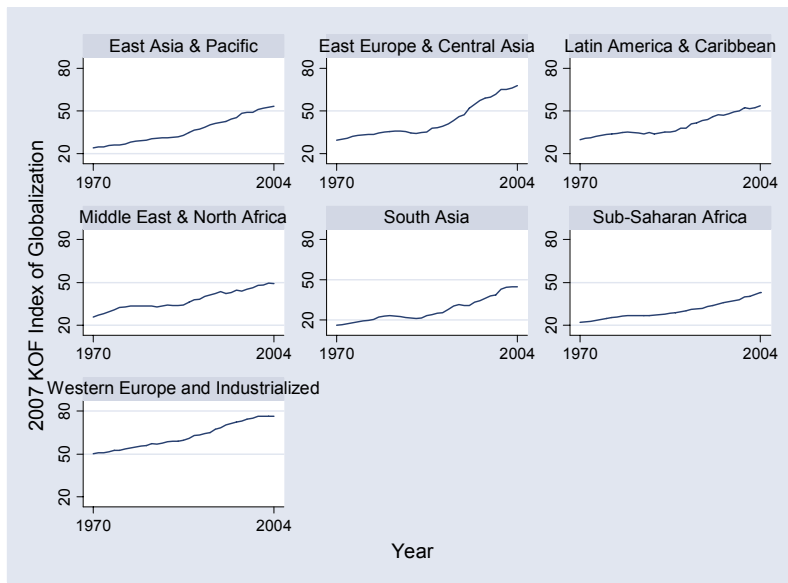


Figure 2: Development of globalization across regions

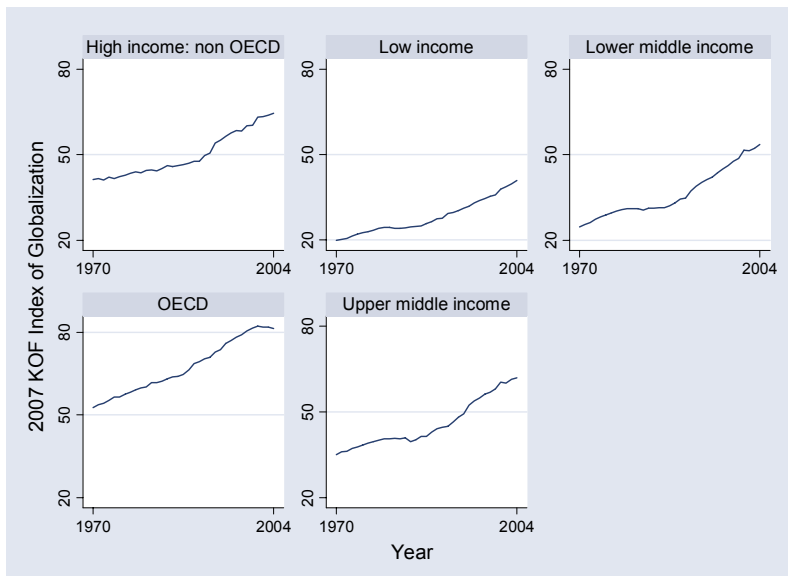


Figure 3: Development of globalization according to income

Country Rankings

Figure 4 shows the world’s 15 most globalized countries, while those least globalized are displayed in figure 5. According to the new calculations, Belgium and Austria are on top of the globalization ranking since 2001.

On the bottom of the 2007 ranking are Burundi, the Central African Republic, and Myanmar. Countries at the bottom of the ranking consistently score lower across all three dimensions: The degree of globalization in the ten least globalized countries is about one third of the ten most globalized ones.

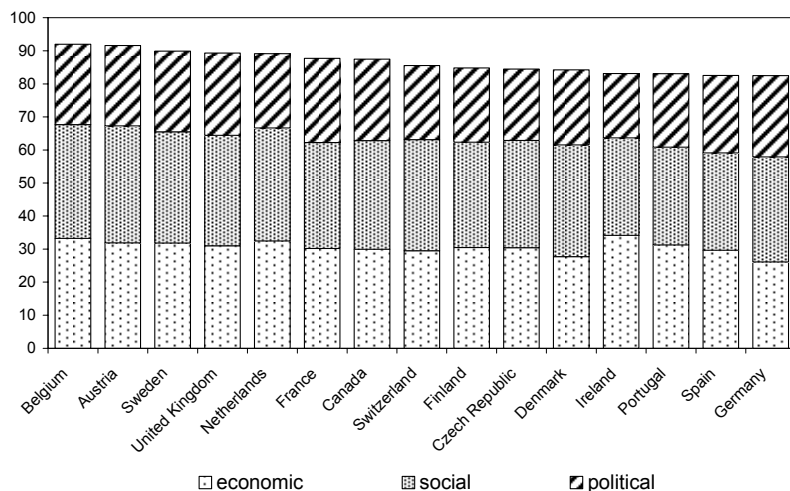


Figure 4: The world’s 15 most globalized countries

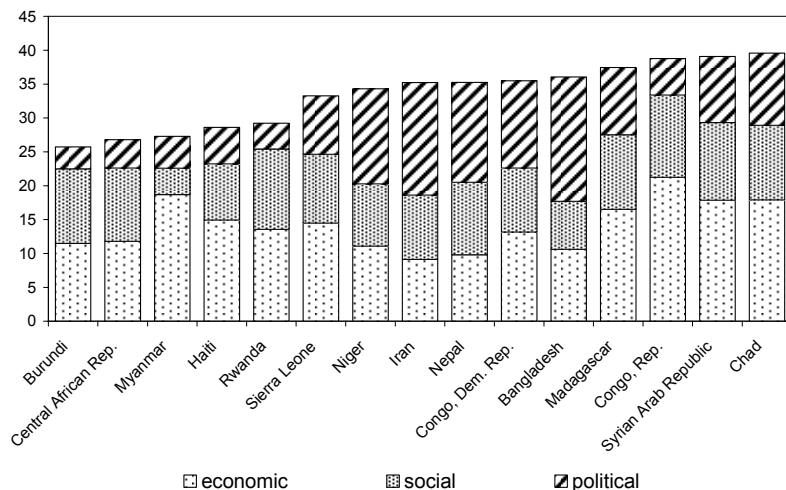


Figure 5: The world’s 15 least globalized countries

Regarding *economic* globalization – and in line with the results for previous years – Luxembourg by far shows the highest score. Switzerland ranks 22 (previous year: 9). Singapore ranks second, followed by Ireland and Belgium – all of them small open economies. Least globalized in economic terms are Iran, Bangladesh, and Niger. The *social* globalization ranking is headed by Austria, Singapore, Belgium and the Netherlands, whereas Myanmar, Bangladesh, Haiti, and Mali are at the bottom of the ranking. As in the previous year, Switzerland ranks 7. According to the *political* sub-index of globalization, France is the world’s most globalized country. The USA, Russia and Great Britain are also among the most politically globalized

countries, whereas the Bahamas, Burundi, Barbados and Rwanda show the lowest political globalization score. Regarding political globalization, Switzerland ranks 24 (previous year: 20). According to the world average, social globalization did no longer proceed since 2001, while economic and political integration did.

Figures 6 and 7 display the changes in the KOF globalization ranking as compared to the previous year. While figure 6 shows the most severe changes across the world, figure 7 focuses on the changes across the most globalized countries. As compared to the previous year, globalization decreased most dramatically in Venezuela (16 positions), while the greatest increase in the degree of globalization has been experienced by Guatemala (17 positions). Among the most globalized countries, Singapore displays the greatest decline in globalization – Portugal and the Czech Republic increased their degree of globalization the most.

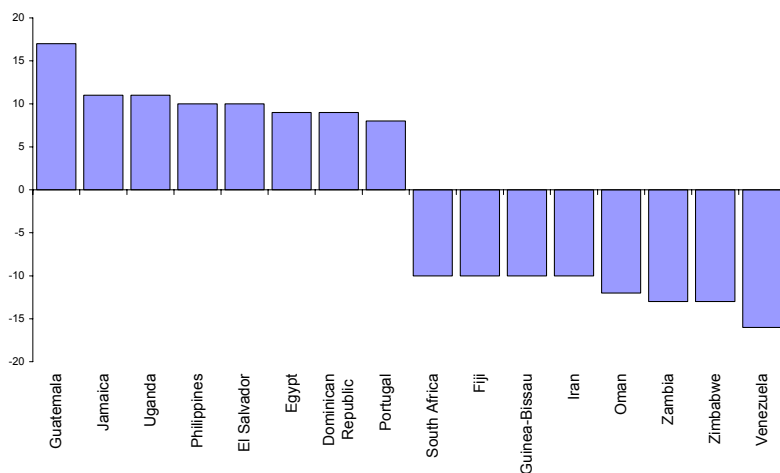


Figure 6: KOF Index of Globalization, biggest changes as compared to previous year

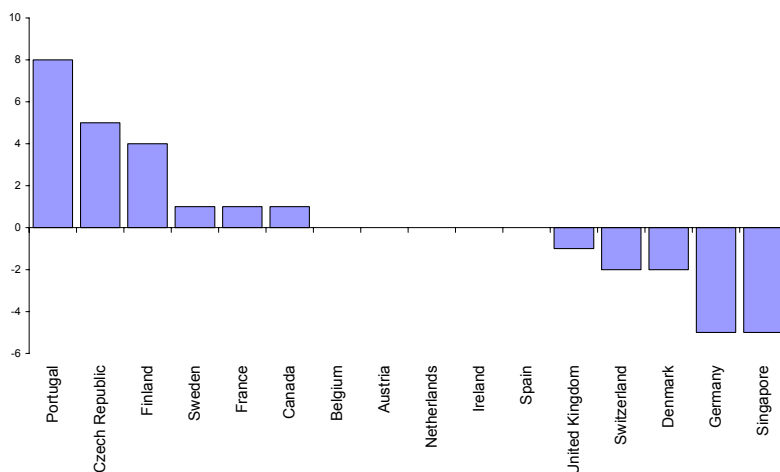


Figure 7: KOF Index of Globalization, changes among most globalized countries as compared to previous year

Globalization of Switzerland

Figure 8 shows the development of the KOF index of globalization for Switzerland. It can be seen that Switzerland continuously increased its globalization score since the 1970s for about 30 years – and particularly since the 90s. Since 1991 Switzerland is among the world's ten most globalized countries. However, over the years 2001-2004 the degree of globalization decreased – largely due to a decreasing degree of economic integration with the rest of the world (and in particular due to the role of non-tariff barriers).² Consequently, Switzerland ranks 8 according to the new index, as compared to 6 in the previous year.

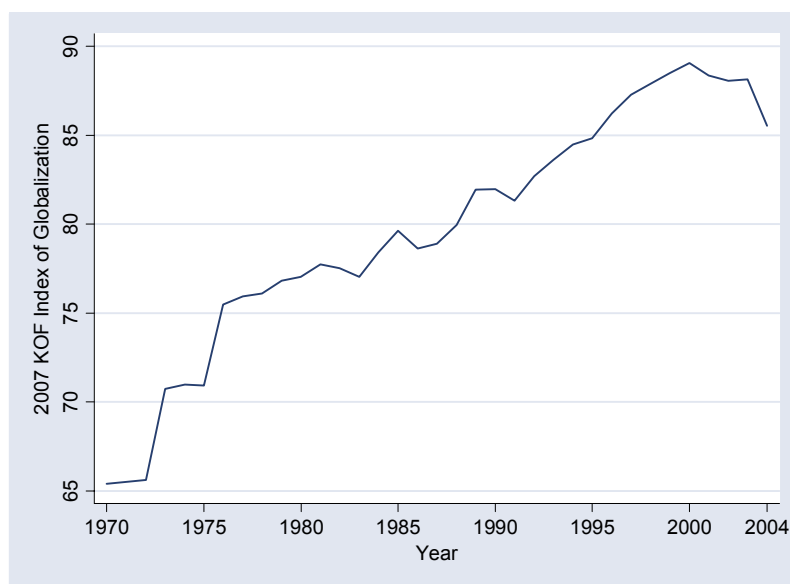


Figure 8: KOF Index of Globalization, Switzerland

Methodological Aspects

Calculated according to a substantially revised method³, the KOF index of globalization now measures globalization on a scale of 1-100, where the underlying variables enter in percentiles. As compared to previous versions of the index, the impact of extreme data points is thus reduced, also introducing fewer fluctuations over time. Three variables included in the previous version of the index are no longer included: The costs of a telephone call to the US, the number of telephone mainlines and the number of newspapers sold. Instead, the following five variables are now included in the index: The level of foreign direct investment (measuring economic integration), the number of letters sent and received from abroad (measuring direct interaction among people in different countries), the number of Ikea shops located in a country (measuring convergence of taste), international trade in books (measuring cultural exchange), and international trade in newspapers (measuring availability of international information).

² This index component is based on the question “In your country, do tariff and non-tariff barriers significantly reduce the ability of imported goods to compete in the domestic market?”

³ Given the availability of new data the variables covered by the index changed as compared to those published the previously. Due to the revised method, the current data can not be directly compared with the previous version of the index. Comparisons reported in the text base on the current version of the index.

New user-friendly website for the KOF index of globalization

The newly designed website includes detailed information about the KOF index of globalization 2007 and enables manifold interactive visualization and download of graphs and tables.

<http://www.kof.ethz.ch/globalization> or <http://www.globalization-index.org>

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